

# Brandes International ETF

## FUND INFORMATION

Ticker	BINV
CUSIP	900934209
NAV Symbol	BINV.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.70%

## STRATEGY

BINV is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of non-U.S. companies.

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling (866) 307-0477.*

## TOP TEN HOLDINGS

(% of assets as of 6/30/2024)

Takeda Pharmaceutical Co Ltd	3.06
Alibaba Group Holding Ltd	2.62
Sanofi SA	2.56
Heineken Holding NV	2.49
SAP SE	2.40
UBS Group AG	2.38
Rolls-Royce Holdings PLC	2.16
Koninklijke Philips NV	2.15
Intesa Sanpaolo SpA	2.15
Henkel AG & Co KGaA	2.10

Fund holdings are subject to change at any time at the discretion of the investment manager.

The Brandes International Equity ETF declined 0.35%/0.58% (NAV/Market Price), slightly outperforming its benchmark, the MSCI EAFE Index, which was down 0.42% in the quarter, and slightly underperforming the MSCI EAFE Value Index, which returned 0.01%.

## Positive Contributors

Stock selection across sectors and industries in Europe drove returns. Notable performers included bank holdings such as Erste Group Bank (Austria), Barclays (U.K.), and Intesa Sanpaolo (Italy). Select positions in health care, namely Netherlands-based Koninklijke Philips and Germany-based Fresenius, also helped performance. Philips' shares increased after the company reached a settlement related to its ventilators, removing significant uncertainty about its legal liabilities.

Other major contributors included holdings in consumer staples, including U.K.-based Unilever, Tesco, and Imperial Brands, as well as Germany's Henkel. Moreover, U.K.-based aerospace and defense firm Rolls-Royce continued to benefit from the ongoing recovery in its end-markets, and the market reacted favorably to the firm's announcement that it would leave its 2024 guidance unchanged.

Beyond European holdings, Taiwan Semiconductor Manufacturing Company (TSMC) was a solid contributor. The company received Taiwanese government approval to finance the construction of manufacturing facilities in Japan and the U.S., positioning it to support the growing demand for artificial intelligence and high-performance computing technologies.

## Performance Detractors

Mexican stocks (as represented by the MSCI Mexico Index) tumbled following the presidential election results, raising concerns about the potential for less market-friendly policies by the new government. As such, it was not surprising that our holdings in Mexico (i.e., real estate investment trust Fibra Uno, cement producer Cemex, communication services firm America Movil) were among the ETF's most significant detractors. Nonetheless, we believe these holdings continue to offer an attractive risk/reward tradeoff, and we maintain our positions.

Other detractors included holdings in Brazil, particularly beverage company Ambev and Telefonica Brasil, and in Japan, notably Nissan Motor and Honda Motor.

From a sector and industry standpoint, holdings in communication services and pharmaceuticals weighed on performance. France-based Orange saw their share prices decline alongside Telefonica Brasil. In pharmaceuticals, Japanese Astellas Pharma and Takeda Pharmaceutical hurt returns, as did U.K.-based GSK.

GSK's shares fell after a U.S. public health agency narrowed its age recommendation for RSV (respiratory syncytial virus) vaccines, limiting the use of the company's products. Meanwhile, Takeda announced a restructuring plan aimed at optimizing its workforce, cutting costs, and strengthening technology.

## Select Activity in the Quarter

The investment committee initiated positions across several industries. These included U.K consumer health care company Reckitt Benckiser, Germany-based logistics firm Deutsche Post and semiconductor manufacturer Infineon Technologies, and Japanese machinery company Kubota Corp.

Reckitt Benckiser is a multinational consumer goods company, with operations in over 60 countries across three business units: consumer health, hygiene, and nutrition. The company's brands are strong, particularly on a country-specific basis, such as Lysol in the U.S. and Dettol in India. Over the past several years, the management team has been focusing on achieving higher-than-category average growth for the company's brands and on increasing margins through positive operating leverage and productivity-related efficiency improvements.

During the pandemic, Reckitt experienced a short-term surge in demand for its hygiene products. However, the associated stock-price increase was not sustained, and Reckitt's shares remained largely range-bound for five years prior to their recent decline. The company's shares have come under pressure after it reported weaker-than-expected growth and profitability for fiscal year 2023. While it has improved its margins over the past few years, Reckitt will likely face slower growth in the short term as it cycles through last year's elevated base, driven by infant formula recall by Abbott Laboratories (Reckitt's main competitor) and a robust cold and flu season. Moreover, concerns about potential liability related to its pre-term infant formula business in the U.S. further weighed on investor sentiment after the company lost a legal case earlier this year. Reckitt faces additional related legal cases, as does Abbott Laboratories.

Despite the headwinds, Reckitt's longer-term growth profile appears compelling to us. We appreciate its competitive position, which should allow it to grow at an above-average rate in each business category. We also believe the company has the potential for margin improvement through a combination of productivity-related cost savings and positive operating leverage. In our opinion, investor concerns about Reckitt's growth prospects and potential legal liabilities have been more than accounted for in its share price. At its current valuation, which reflects a discount to the company's historical multiples, we see Reckitt as an appealing investment opportunity.

Besides the new purchases, other portfolio activity included the full sells of Belgian beverage firm Anheuser-Busch InBev and U.K. consumer business Unilever, which both appreciated to our estimates of their intrinsic values.

## Year-to-Date Briefing

The Brandes International Equity ETF rose 4.51%/4.75% (NAV/Market Price), underperforming its benchmark, the MSCI EAFE Index, which appreciated 5.34% in the six months ended June 30, 2024, and slightly outperforming the MSCI EAFE Value Index, which rose 4.49%.

Select holdings in industrials and financials were solid contributors, led by Rolls-Royce and Embraer in industrials,

and Intesa Sanpaolo, Barclays, and Erste Group Bank in financials. Technology holdings TSMC and SAP also showed robust results, along with construction materials holdings Buzzi and Heidelberg Materials.

The largest detractor was Spanish biotech firm Grifols, whose shares declined mainly in the first quarter following a short seller's report that questioned the company's debt and corporate governance practices. We continue to believe there is a meaningful upside potential in Grifols. The company recently completed the sale of an ownership stake in Shanghai RAAS, which should help it improve its financial leverage in the near term.

Besides Grifols, a few other health care positions also hurt returns, including Takeda Pharmaceutical and Astellas Pharma. Geographically, as was the case for the quarter, several holdings in emerging markets weighed on performance, especially those in Mexico (e.g., Fibra Uno, Cemex) and Brazil (e.g., Ambev, Telefonica Brasil).

## Current Positioning

As of June 30, the ETF has overweight positions in the United Kingdom, France, and emerging markets, and underweight positions in Australia and Japan. From a sector perspective, it holds key overweights to communication services, health care, and consumer staples, while maintaining meaningful underweights to industrials, technology, and financials. We believe the differences between the Brandes International Equity ETF and the MSCI EAFE Index make it an excellent complement and diversifier to passive and growth-oriented strategies.

International value stocks continue to trade within the least expensive decile relative to growth (MSCI EAFE Value vs. MSCI EAFE Growth) since the inception of the style indices. This is evident across various valuation measures, including price/earnings, price/cash flow, and enterprise value/sales. Historically, such discount levels often signaled attractive subsequent relative returns for value stocks. This is encouraging for us as the Brandes International Equity Strategy, guided by our value philosophy and process, has had the tendency to outperform the value index when it outperformed the benchmark.

Looking ahead, we remain optimistic about the prospects of our holdings. As of June 30, 2024, the Brandes International Equity ETF trades at more compelling valuation levels, in our opinion, while offering more appealing long-term growth characteristics relative to the benchmark and the MSCI EAFE Value Index.

## Performance (%) as of June 30, 2024

	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	-0.35	4.51	—	—	18.84
Market Price	-0.58	4.75	—	—	19.16
MSCI EAFE Index	-0.42	5.34	—	—	19.63
MSCI EAFE Value Index	0.01	4.49	—	—	16.65

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For term definitions: <https://www.brandes.com/termdefinitions>

The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.

The MSCI EAFE Value Index with net dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield. Fund inception predates MSCI EAFE Value Index inception.

The MSCI EAFE Growth Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI Mexico Index is designed to measure the performance of the large and mid cap segments of the Mexican market. With 24 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Mexico.

It is not possible to invest directly in an index.

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ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (866) 307-0477 or visit <http://www.brandes.com/etfs>. Read the prospectus or summary prospectus carefully before investing.

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